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FROM THE U.S. MISSION TO THE UN AGENCIES IN ROME

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SUBJECT: AGRICULTURAL TRADE AND POVERTY HIGHLIGHTED IN  
FAO'S 2005 STATE OF FOOD AND AGRICULTURE REPORT

11. Summary: FAO will release the 2005 State of Food and Agriculture (SOFA) Report on December 7 at 11:00 am in Geneva. It will be available at [www.fao.org](http://www.fao.org) shortly afterwards. The special focus of this year's report is Agricultural Trade and Poverty: Can Trade Work for the Poor? The report concludes that multilateral trade liberalization can benefit the poor and food-insecure by acting as a catalyst for change and promoting economic growth. It also recognizes that trade liberalization will have adverse effects in some countries, which FAO proposes should be addressed through a twin-track approach of "(i) creating opportunities for the hungry to improve their livelihoods and (ii) ensuring access to food for the most needy through safety nets and other direct assistance." End summary.

12. The release of the 2005 SOFA report was intentionally timed to make a splash immediately prior to the WTO Hong Kong Ministerial meeting. The seven chapters in the report review agricultural production and trade patterns, the trade policy landscape, macroeconomic impacts of agricultural trade reform, impacts of trade reform on poverty reduction, impacts of trade reform on food security, and a twin-track approach to ensuring that developing countries are able to capture the benefits of trade reform. The report largely draws on previous analytical work done by FAO as well as UNCTAD, UNDP, WTO, and the World Bank.

13. The 2005 SOFA report makes a useful contribution to the global debate on agricultural trade liberalization by focusing on the policies and programs needed to ensure that the poor and food insecure are able to take advantage of trade liberalization. In this regard, the report notes that the domestic policy environment is just as important as the trade policy environment. Countries need well-functioning markets and good infrastructure to participate in international markets. They also need safety-net policies to assist with the adjustment and transition process.

14. One interesting conclusion from the studies reviewed in the report is that for many developing countries the greatest positive impacts from trade liberalization will come through more jobs and higher wages in non-agricultural sectors. Therefore, the short-term negative impacts of higher commodity prices on net-food importing developing countries should be offset in the longer run by higher non-agricultural incomes. This suggests that temporary safety nets may be important policy tools for neutralizing the short-run negative effects. The report also notes that removing import tariffs on agricultural inputs will promote pro-poor growth by improving the competitiveness of agricultural producers in developing countries.

15. Demonstrating that it can learn from experience, in this case the experience of a blistering attack from the NGO community in response to the 2004 SOFA report on biotechnology, FAO has included a special contribution in the 2005 SOFA, Can Trade Work for the Poor: A View from Civil Society. The contributions, drawn from previously published statements by the respective NGOs, are diatribes against globalization and liberalization and in favor of food sovereignty. In contrast to the body of the 2005 SOFA report, this section is most notable for the complete absence of any analytical support for the positions taken.

Cleverley